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GOVERNOR

STATE OF MICHIGAN  
OFFICE OF FINANCIAL AND INSURANCE SERVICES  
DEPARTMENT OF LABOR & ECONOMIC GROWTH  
KEITH W. COOLEY, DIRECTOR

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COMMISSIONER

## **BILL ANALYSIS**

**BILL NUMBER:** House Bill 4328 (as introduced)  
**TOPIC:** Increased Penalties for Unfair or Deceptive Acts in the Insurance Code  
**SPONSOR:** Rep. Paul Condino  
**CO-SPONSORS:** Rep. Vagnozzi, Bieda, Polidori, and Kathleen Law  
**COMMITTEE:** Committee on Insurance  
**Analysis Done:** March 21, 2007

### **POSITION**

The Office of Financial and Insurance Services supports this legislation.

### **PROBLEM/BACKGROUND**

Section 2038 of the Unfair Trade Practices Act in the Michigan Insurance Code has not been updated since 1976. The monetary penalties for violation of the act have held constant since that time. In order to provide an adequate incentive for those regulated under the Insurance Code to obey the law, monetary penalties should be large enough to represent a meaningful sanction.

### **DESCRIPTION OF BILL**

House bill 4328 increases the monetary penalty under Section 2038 of the Insurance Code for unfair trade practices from \$500.00 to \$1000.00 for each violation, not to exceed \$10,000. If the violation was knowingly committed the penalty goes from \$2,500.00 to \$5,000.00 for each violation, not to exceed \$50,000 for all violations committed in a 6 month period.

## **SUMMARY OF ARGUMENTS**

### **Pro**

Increasing the monetary penalties for violation of the Unfair Trade Practices Act, will provide a more severe penalty to those who increase penalties to periodically rising to keep pace with inflation. An increase in the penalty encourages compliance with the law.

If sanctions are too low, insurers may be willing to assume the potential risk of a violation as a cost of doing business.

### **Con**

Persons regulated under the Unfair Trade Practices Act may believe an increased monetary penalty subject them to greater potential sanction for what they may feel are minor violations of the act.

## **FISCAL/ECONOMIC IMPACT**

- (a) To the Office of Financial and Insurance Services: Increasing penalties for violations of the law may increase revenues, depending on the number of persons cited for violations.

Budgetary:

Revenue:

Comments:

- (b) To the Department of Labor and Economic Growth: None

Budgetary:

Revenue:

Comments:

- (c) To the State of Michigan: None

Budgetary:

Revenue:

Comments:

(d) To Local Governments within this State:

Comments: None

**OTHER STATE DEPARTMENTS**

None

**ANY OTHER PERTINENT INFORMATION**

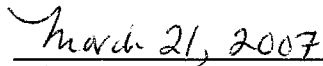
Introduced as HB 4627 in the 2005-2006 session.

**ADMINISTRATIVE RULES IMPACT**

The OFIS has general rulemaking authority under the Insurance Code of 1956, 1956 PA 218.



Linda A. Watters  
Commissioner



Date